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THE ITALIAN CLIMATE CHANGE THINK TANK

THE OMNIBUS I PACKAGE AND THE IMPACT ON SMEs

POLICY BRIEFING

APRIL 2025

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EXECUTIVE SUMMARY

The vast scale of investment required for Europe's sustainability transition demands strong financial support, with private finance playing a key role. The European Green Deal has, therefore, prioritized transparency regulations for large companies—through the **Sustainable Finance Framework**: Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), and the EU Taxonomy—**to ensure that investors and financial intermediaries can accurately assess physical and transition-related climate risks**. These disclosures have become an integral component of prudential supervisory regulations, incentivizing companies to demonstrate low exposure to climate risks in order to secure better access to credit and green financing.

However, the recent **European Commission Omnibus I proposal**, aimed at simplifying the regulatory landscape, raises significant concerns. While its intention is to reduce administrative burdens, the proposed changes risk diluting the robustness and effectiveness of the overall sustainability reporting framework – **primarily reducing mandatory reporting for smaller firms** by limiting CSRD thresholds to companies with more than 1,000 employees, and **restricting due diligence obligations** under the CSDDD primarily to direct suppliers (Tier 1).

EU financial market players, as a matter of fact, have confirmed that **corporate reporting on climate and decarbonisation is no longer a mere regulatory compliance burden, but a pressing business necessity, essential for securing better access to credit and financial markets**. A reduction in mandatory disclosures, as proposed by the Omnibus—especially for mid-cap and SME sectors— would leave market participants with an impoverished data set, making it more challenging for financial institutions to incorporate climate risks into their credit assessments.

In parallel, SMEs, despite contributing over 50% of the EU's GDP and more than 63% of enterprise greenhouse gas emissions, are largely excluded from mandatory disclosure obligations. Without a robust, harmonized reporting framework, these ad hoc requirements force SMEs into a situation where they may supply incomplete or inconsistent information. As a consequence, SMEs risk being classified as higher-risk borrowers, leading to stricter lending conditions or even exclusion from green financing opportunities. This outcome directly undermines the EU Sustainable Finance Framework's core objective of promoting sustainable investments and supporting companies that demonstrate genuine progress in decarbonization and sustainability.

For these reasons:

- Rather than narrowing the scope by excluding mid-cap companies, the EU Commission should focus on **refining and standardizing sustainability**

reporting standards across various regulatory domains—not diluting disclosure obligations but ensuring a single, comprehensive but still effective and proportionate data set is provided. **A tiered reporting system** should be introduced, combining **size-based and time-based scalability**. Large companies would continue to report under full ESRS, while mid-caps and SMEs would follow simplified disclosure pathways—starting with a core set of essential sustainability indicators and expanding their reporting scope over time. This approach would streamline information flows, reduce compliance burdens, and allow all companies to progressively build the capacity to disclose high-quality, decision-useful sustainability data.

- **To prevent SMEs from being excluded from green financing due to data gaps, the EU Commission and national governments should implement tailored incentives and support policies.** Large companies, in turn, must take responsibility for supporting their smaller business partners in meeting reporting and due diligence obligations. Priority actions include:
  - **Transition-linked financial incentives:** targeted incentives and credit-enhancing mechanisms conditioned on the adoption of credible transition plans or sustainability disclosures.
  - **Capacity building:** technical training, management systems, and guidance to SMEs on reporting and risk mitigation.
  - **Financial assistance:** support in covering consultancy costs and offer targeted financial support (e.g. guarantees, low-interest loans) for building reporting infrastructure.
  - **Shared infrastructure:** provide common tools such as standardized templates and data collection software to lower the cost and complexity of compliance.

While the drive for simplification is aimed at enhancing competitiveness, it is imperative that the Omnibus I proposal preserves the regulatory architecture's integrity and does not undermine the detailed disclosures necessary for managing climate-related risks and enabling efficient green financing. This brief calls for a balanced approach—one that simplifies compliance without sacrificing the quality and comparability of sustainability data, ensuring a level playing field for all companies, particularly SMEs.

OMNIBUS I – A PROPOSAL FROM THE EU COMMISSION

On 26 February, the European Commission introduced a series of proposals within its Omnibus I package aimed at overhauling three core components of the EU's sustainable finance regulatory framework: the Corporate Sustainability Reporting Directive (CSRD) and the supporting European Sustainability Reporting Standards (ESRS), the Corporate Sustainability Due Diligence Directive (CSDDD), and the delegated acts of the EU Taxonomy Regulation (see Annex for main changes proposed by the Omnibus).

These regulations were originally designed to ensure that companies provide harmonized, comparable sustainability data, thereby helping investors and other stakeholders to assess risks, identify opportunities, and reorient capital flows towards a more resilient and sustainable economy. For this reason, a **consolidated framework of mandatory sustainability reporting would not only help combat greenwashing by holding companies accountable for inaccurate disclosures but also supply central banks and prudential authorities with the data necessary to incorporate climate and transition risks into their pricing and risk control models.**

The Omnibus I proposals are part of the EU Commission's effort to harmonize and simplify the regulatory landscape of sustainable finance. While the EU "simplification agenda" seeks to reduce the administrative burden on companies, it is crucial to preserve the overall integrity and ambition of the existing regulatory framework, as already pointed out in a previous ECCO article. In other words, the simplification should not come at the expense of diminishing the impact of the rules that have already been approved and that could penalize enterprises that have already moved to comply. This Omnibus I proposal—now heading for negotiations in the European Parliament and the Council of the EU—should find a **balance between simplifying regulatory processes and preserving the robust data foundations essential for effective risk management and for achieving the targets set out in EU Climate Law.**

In essence, while the drive to simplify aims to enhance competitiveness, there is a risk that curtailing mandatory disclosures—particularly for mid-cap and smaller firms—will ultimately dilute the effectiveness of the entire sustainability reporting framework.

DATA REQUIREMENTS FOR RISK MANAGEMENT

Recent analysis by the European Banking Authority (EBA) underscores that despite notable improvements in the availability and accessibility of environmental, social, and governance (ESG) data, **the current data landscape remains incomplete**. While key initiatives such as the CSRD and the supporting European Sustainability Reporting Standards (ESRS) along with the voluntary SME standards (VSME), are expected to further enrich this landscape, there is a risk that regulatory simplification—if not carefully designed—will most likely lead to a weaker and less comprehensive data set. Banks, central banks, and other financial institutions require detailed, accurate, and comparable data to both assess credit exposures and manage climate-related financial risks. In practice, the proposed Omnibus changes risk further impoverishing this data set, reducing the information available to market participants who depend on robust data to protect against climate-related financial risks. Specifically, the main CSRD proposal would reduce the reporting scope by 80%—restricting mandatory disclosures to companies with more than 1,000 employees—while revisions to the ESRS would cut the number of data points to be reported.

In particular, institutions face significant hurdles when dealing with retail SMEs. These challenges include difficulties in obtaining, processing, and disclosing reliable and comparable data on the environmental performance of their counterparties. The lack of mandatory disclosure requirements for non-listed SMEs, coupled with low awareness and cooperation among these smaller entities, as mentioned in the EBA report, results in a critical gap in the data needed for effective ESG risk assessments.

Similarly, recent statements from ECB representatives have expressed strong concerns that any deregulation or lowering of data disclosure requirements will undermine the ability of banks to effectively manage risks related to climate and nature crises. They argue that rather than reducing rules, the focus should be on harmonizing regulatory requirements across the EU, ensuring that critical data points remain available to safeguard financial stability, guide monetary policy, and support the allocation of capital in line with sustainability goals.

In this context, banks will remain bound by prudential regulations that compel them to undertake selective credit assessments to mitigate their exposure to climate risks. In these assessments, they will continue to require detailed documentation from companies.

In practice, if the same standards, scopes and core data are required across different regulatory frameworks—prudential rules, monetary policies, or even public procurement and environmental requirements —the overall reporting burden on companies could be significantly reduced. The EU Commission's Omnibus I proposal should aim to harmonize reporting requirements for various purposes rather than dilute disclosures. In a scenario where the same set of information is collected repetitively for multiple purposes, harmonization is not only more efficient but also more likely to yield reliable risk indicators - essential for maintaining financial stability and supporting a sustainable reallocation of capital. Conversely, diluting mandatory disclosures risks fragmenting data requirements and could lead to increased instances of greenwashing, as companies may become less accountable for delivering comprehensive, verified sustainability information.

REPORTING REGULATIONS FOR SMALL-MEDIUM ENTERPRISES (SMES)

Building on the challenges in data availability for risk management, it is critical to examine how these issues extend to small and medium-sized enterprises (SMEs), which are pivotal to Europe's sustainability transition. SMEs contribute over 50% of the EU's GDP and account for more than 63% of enterprise CO_2 and broader greenhouse gas emissions. Despite their significance, non-listed SMEs are excluded, per se, from the mandatory disclosure obligations imposed by the CSRD, CSDDD, and EU Taxonomy. Still, many SMEs are indirectly affected as they are increasingly facing demands for sustainability-related information from larger corporate clients and financial institutions that fall within the scope of these directives.

The Omnibus I package offers two proposals that impact SMEs, which will be explored in the next paragraphs: on the one hand, it postpones mandatory reporting by increasing the thresholds under the CSRD, and on the other, it indirectly exempts SMEs by limiting the due diligence obligations of larger companies over their entire value chains under the CSDDD. While this simplified approach may reduce immediate administrative burdens for smaller firms, it does not resolve the underlying issue: SMEs continue to be pressured by their value chain actors to provide sustainability data.

Moreover, recent data from the ECB indicate that climate risks have a measurable impact on lending conditions. Over the past twelve months, loans to "brown firms" experienced a net tightening in both credit standards (+44%) and terms and conditions (+30%) while loans to green firms and firms in transition have experienced easing measures (-25% and -31% for green firms, and -10% and -14% for firms in transition). This trend underscores the importance for SMEs to actively engage in sustainability reporting, as firms demonstrating robust environmental performance are rewarded with more favorable lending conditions. **The absence of a robust, harmonized reporting framework for SMEs could lead to data gaps that hinder risk assessment and the allocation of green investments. Should SMEs fail to produce reliable data**

reflecting their progress in decarbonization and sustainability, they risk being categorized as higher risk by lenders. This increased risk perception could lead to less favorable lending practices, making it more difficult for these companies to access the financing needed for crucial green investments such as electrification, energy efficiency improvements or renewable energy projects.

For these evidences, in the following paragraphs, we will delve deeper into the need to design policies that not only streamline reporting obligations but also provide tailored support for SMEs.

THE OMNIBUS I PROPOSALS – KEY POINTS

Recommendations for harmonizing regulatory standards and data requirements with a phase-in approach to supporting SMEs

While the Omnibus I proposal is positioned as an effort to streamline the EU's sustainability reporting and due diligence framework, its approach raises significant concerns about the dilution of critical data flows: any move to simplify regulation must be carefully balanced against the risk of eroding the very data foundations that underpin effective risk management and sustainable investment. The recommendations provided here focus on the importance of maintaining comprehensive, consistent data requirements and harmonize regulatory standards across different policy domains, while implementing a phased, supportive approach specifically designed to address the challenges faced by SMEs.

CSRD: SCOPE

Currently, the CSRD applies to all large companies (defined as companies above two out of the three following thresholds: €50 million net turnover, €25 million balance sheet total, 250 employees), as well as SMEs whose securities are listed on an EU regulated market. The Omnibus I proposal significantly narrows the mandatory reporting obligations under the CSRD by limiting them to large companies that employ more than 1,000 people and either a turnover above €50 million or a balance sheet above €25 million. The Commission estimates that this change is expected to reduce the number of companies in scope by approximately 80%. Although this reduction might seem to alleviate administrative burdens, it also raises serious concerns about the overall effectiveness of the CSRD. The exclusion of mid-cap companies means that a substantial portion of the corporate landscape will no longer be subject to the same level of transparency, undermining the ability of investors, banks, and regulators to obtain a complete picture of the sustainability risks embedded in the economy.

To ensure that the CSRD achieves its primary goal of providing comprehensive and comparable sustainability data without imposing unnecessary burdens, we suggest:

- **Maintaining broad inclusion with clear standards:** Rather than narrowing down the scope by excluding mid-cap companies, the Commission should concentrate on refining and standardizing reporting requirements. This means developing detailed, effective and proportionate standards that are practical to implement and specifically tailored to deliver comparable data across different company sizes. The focus should be on defining clear metrics and disclosure formats that enable all companies—large, mid-cap, and SMEs—to report consistently, thereby streamlining sustainability information flows across the corporate landscape. A **tiered reporting system** should be established, where disclosure requirements are tailored based on company size and complexity. This system should allow smaller companies to begin with a core set of essential sustainability metrics, progressively expanding their reporting obligations over time:
    - **Size-Based Scalability:** the reporting framework should distinguish between large corporations, mid-caps, and SMEs, defining clear, proportionate disclosure expectations for each category. For example, SMEs could be required to report on a simplified set of key sustainability indicators in the initial phase (e.g. VSME Basic module for micro-undertakings, VSME comprehensive module for small-undertakings – see next paragraph for more information on the VSME standard), with more detailed requirements phased in over time, towards ESRS.
    - **Time-Based Scalability:** a gradual compliance pathway should be introduced, allowing mid-caps and SMEs to incrementally expand their reporting scope (data and information) year after year. This phased approach would provide businesses with the time and resources needed to build internal reporting capacity, avoiding compliance burden while ensuring long-term alignment with sustainability disclosure goals.
- **Align with multiple regulatory needs:** The revised framework should be structured so that the data reported by companies serve not only the CSRD and CSDDD requirements, but also support other regulatory areas such as the Sustainable Finance Disclosure Regulation (SFDR), Solvency II, the Capital Requirements Regulation (CRR), public procurement rules and should also be able to inform monetary policy reviews. By ensuring that a single set of high-quality, harmonized data meets the needs of multiple regulations, the overall reporting burden on companies can be reduced. By harmonizing the application of sustainability standards across regulatory areas, companies will no longer face a proliferation of random, disparate data requests from corporate customers. This approach will ensure that information exchange is efficient and that companies do not have to devote additional resources to meet overlapping or conflicting disclosure requirements.

CSRD: VALUE CHAIN CAP

The Omnibus I proposal introduces another mechanism aimed at protecting smaller companies from excessive disclosure demands. For companies that fall outside the scope of the CSRD—specifically, those with up to 1,000 employees—the Commission intends to adopt a voluntary reporting standard based on the current VSME standard developed by EFRAG. This "value chain cap" is meant to act as a shield by limiting the information that companies or banks subject to the CSRD can require from their value chain partners with fewer than 1,000 employees.

The VSME is composed of two parts: an entry-level Basic Module, which includes 11 disclosure requirements, and an optional Comprehensive Module with an additional 9 disclosure requirements intended to provide more detailed information. In contrast, the ESRS contains around 70 topic-specific disclosure requirements (e.g. climate change, workforce, etc. in addition to the general disclosures in ESRS 1 and ESRS 2).

The European Commission proposal for value chain cap does not mention the two different VSME modules, leading to the interpretation that the value chain cap for business is linked to the basic module only, because the second is optional. This approach would significantly restricts the scope of ESG data that can be obtained, as the basic module is designed for micro-undertakings with an average of 10 employees. For example, the VSME Basic Module covers energy consumption and Scope 1 (direct) and Scope 2 (indirect) **GHG emissions**, and just the optional Comprehensive Module refers to Scope 3 (value chain) emissions without imposing any mandatory disclosure requirements for them. Although the Comprehensive Module includes a disclosure on climate risk that mandates reporting on **climate-related hazards and transition events**, it lacks detailed guidance or qualitative requirements on how companies should assess these risks. Similarly, regarding **biodiversity**, the VSME standard does not require inquiries into activities that may negatively affect biodiversity-sensitive areas or directly exploit natural resources, such as logging or mining. Furthermore, when it comes to **human rights** disclosures (requested just for the Comprehensive Module), companies can satisfy the requirement with a simple yes/no declaration about whether they have formal policies on issues like child labor, forced labor, or human trafficking—without providing any substantive qualitative information.

Consequently, restricting large companies in scope to request information according to the VSME standard will prevent them from accessing the important information needed for robust risk assessments and effective due diligence.

Moreover, the current ESRS framework already provides protections for SMEs by not obliging companies to collect data from suppliers if doing so is unfeasible, unduly burdensome, or likely to yield unreliable information. In this context, the proposed value chain cap appears redundant. In practice, companies of all sizes, including mid-caps, will continue to face diverse and potentially conflicting information requests from their corporate customers, also considering that the current Omnibus I text does not prevent companies from asking for information which goes beyond the content of VSME where that sustainability information is commonly shared between undertakings in the sector concerned. This could lead to a proliferation of random, uncoordinated questionnaires, thereby complicating the reporting process rather than streamlining it.

On this specific proposal, the EU Commission should rather focus on:

- **Develop and implement Sector-Specific reporting standards:** rather than relying solely on the VSME standard, policymakers should develop tailored, sector-specific (e.g. textiles, transport, food&beverage, agriculture, financial institutions, oil&gas), sustainability reporting standards that clearly identify the most material risks and key disclosure requirements for each industry. The development of these standards, that have been removed from the current Omnibus I proposals, would facilitate more effective materiality assessments, ensuring that large companies can access vital additional information on issues like severe human rights violations and environmental impacts when necessary. This approach streamlines information flows and reduces the burden of random, disparate data requests while preserving the quality and comparability of data across the value chain.
- **Establish targeted support policies for SMEs:** to ensure that SMEs are not left behind in the green transition, it is essential to design and implement practical support measures. This could include a phased-in approach that gradually increases reporting requirements as SMEs build their capacity, alongside targeted capacity-building initiatives such as technical training, financial incentives, and shared infrastructure for data collection (e.g. data collection templates, standardized reporting software setup). In addition, tailored transition-linked financial incentives—comprising targeted credit-enhancing mechanisms conditioned on the adoption of credible transition plans or sustainability disclosures—should be developed to encourage SMEs to invest in the green transition and improve their access to affordable financing. Without a robust and harmonized reporting framework, SMEs may struggle to provide the reliable sustainability data that financial institutions require for risk assessment. As a result, they risk being perceived as higher-risk borrowers, facing stricter lending conditions or even exclusion from green financing opportunities. By ensuring that SMEs can produce comparable and verifiable sustainability data, targeted support policies would not only facilitate their integration into broader reporting frameworks but also safeguard their access to financing for critical green investments.

CSDDD: VALUE CHAIN APPROACH

The Omnibus I proposal for the Corporate Sustainability Due Diligence Directive (CSDDD) introduces significant changes by limiting the legal mandate for due diligence primarily to direct suppliers (Tier 1). Under the proposal, companies would be relieved from conducting systematic, in-depth assessments across their entire value chain, and would only be required to extend full due diligence to indirect business partners if there is plausible evidence of adverse impacts. In practical terms, this means that the burden on smaller business partners could be reduced with the expectation that this alleviation of administrative effort will benefit SMEs and small mid-caps embedded in the value chains of larger firms.

However, while the intention is to ease the compliance burden on smaller entities, there is a significant risk that narrowing the focus solely to Tier 1 may undermine the overall effectiveness of due diligence activities. Due diligence is critical because it ensures that companies have a robust risk management tool for identifying, preventing, and addressing adverse impacts generated by enterprises throughout the entire supply chain. This comprehensive approach not only supports sustainable and ethical business practices but also provides markets and investors with assurance that companies fully understand the risks inherent in their business models. Value chain decarbonization is fundamental for meeting climate targets: data indicate that approximately 80% of emissions are generated as Scope 3, and for many financial actors, 99% of their overall emissions fall into this category. In this context, a full, risk-based due diligence approach is essential; it aligns with international standards such as the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance, which advocate for assessing risks based on their materiality and focusing efforts where adverse impacts are most significant.

Studies, such as one conducted by the German Federal Office for Economic Affairs and Export Control on the German Supply Chain Due Diligence Act, have demonstrated that companies which incorporate risk considerations across their extended supply chains from the very beginning **can avoid the high costs of ad hoc risk analyses or having to modify their preventive measures later on**. This proactive, risk-based approach is not only more effective at identifying critical risks—such as severe human rights violations (e.g., forced or child labor) and environmental harms (e.g., severe deforestation, comprehensive Scope 3 emissions)—but is also more cost-efficient over time.

The Omnibus I proposal also suggests that companies within scope may request from their small and mid-cap business partners (i.e., entities with no more than 500 employees) only the information specified in the CSRD voluntary sustainability reporting standards (the VSME standard), unless additional information is demonstrably necessary for impact mapping. While this mechanism is intended to protect SMEs from excessive data demands, it runs the risk of limiting the ability of large companies to gather critical data that may fall outside the narrow boundaries of the VSME standard. In effect, even though SMEs and small mid-caps are not directly subject to CSDDD obligations, they remain indirectly impacted if large companies are compelled to restrict their due diligence to a standardized, and potentially insufficient, information set.

Our recommendations for CSDDD Value Chain Approach:

- **Adopt a risk-based Due Diligence framework:** rather than limiting due diligence solely to Tier 1 suppliers, the framework should adopt a risk-based approach that enables companies to identify and prioritize the most significant adverse impacts throughout the entire value chain. This approach must ensure that due diligence processes capture essential data on severe human rights and environmental impacts, such as forced labor, deforestation, and comprehensive Scope 3 emissions. A risk-based focus, aligned with international standards like the UNGPs and OECD Guidelines, will prevent the oversight of critical risks and avoid transforming due diligence into a mere formality.
- **Clear Guidance Development:** the EU Commission should focus on developing detailed guidelines on how to efficiently and effectively implement due diligence. This guidance would clarify compliance requirements in advance, reassuring the market on the feasibility of the obligations and ensuring that both large companies and their smaller partners understand their responsibilities and the practical steps needed to fulfill them.
- **Strengthen support mechanisms for SMEs from large corporates:** The CSDD Directive, as approved in 2024, requires in-scope large companies to conduct comprehensive due diligence but also to actively support their SME and small mid-cap business partners. This requirement needs further development and deepening by the EU Commission: large companies must take concrete steps to assist SMEs in building the capacity to meet due diligence and sustainability reporting obligations. Integrating these support measures **within both the CSDDD and CSRD** frameworks will ensure that smaller companies are not excluded from the reporting process and can continue to access green financing, thereby maintaining systemic accountability and promoting sustainable business practices across the entire value chain:
  - **Capacity building**: providing technical training and upgrading management systems to ensure that SMEs understand and can implement effective reporting and risk mitigation processes. Large companies should co-finance training courses, fund data collection systems, and assign dedicated personnel to guide SMEs within their supply chains;
  - **Financial assistance**: sharing consultancy costs and offering financial support—such as low-interest loans or guarantees—to help SMEs develop robust reporting infrastructures.

ANNEX – PRINCIPAL PROPOSALS OF THE OMNIBUS I

	Key topic	Before Omnibus	Omnibus Proposals 26/02	Notes
CSRD	**Companies covered (EU)**	If they match two out of the three following thresholds: -€50 million net turnover -€25 million balance sheet total -250 employees	Companies with ≥1000 employees on average and either: - Turnover ≥EUR50m - Balance sheet ≥EUR43m Applies to listed and non-listed undertakings. Listed SMEs are removed from scope.	The thresholds are set too high, reducing the number of companies subject to mandatory sustainability reporting by about 80%. This undermines both realistic monitoring and a complete assessment of climate risks. Completely excluding mid-cap companies contradicts recommendations from the Draghi report and the Commission's hint to establish a simplified reporting framework for small mid-caps—a proposal explicitly supported by governments such as Italy and France.
	Value chain cap	ESRS require to collect data from value chain when "feasible and reasonable". Furthermore, the ESRS also include significant flexibility regarding: - 3 year transitional period to obtain chain information - Several phase-in provisions for companies with less than 750 employees, e.g. GHG emissions Scope 3	The Commission will adopt a voluntary reporting standard, based on the standard for SMEs (VSME), that will act as a shield, by limiting the information that companies or banks falling into the scope of the CSRD can request from companies in their value chains with fewer than 1,000 employees.	While easing disclosure requirements for value chain partners is beneficial, the thresholds have been set excessively high. This raises the risk of losing critical information and, importantly, reduces the accountability of large companies over their smaller partners in the supply chain.

	Key topic	Before Omnibus	Omnibus Proposals 26/02	Notes
	Review of ESRS (European Sustainability Reporting Standards)	EFRAG was appointed as technical advisor for the ESRS adopted by the EC as delegated acts. The standards cover the full range of environmental, social, and governance issues. The ESRS were already been reduced in 2023.	The Commission will revise the delegated act establishing the ESRS, with the aim of - Removing least important for general purpose sustainability reporting. - Prioritizing quantitative datapoints over narrative text. - Further distinguishing between mandatory and voluntary datapoints	Streamlining the standards is beneficial, but it'll be crucial not to lose key information needed to assess the extent of impacts and risks. The Commission should respect the efforts of companies that have already invested in implementing the ESRS, acknowledging that most data points are subject to materiality and should only be disclosed if they are truly relevant and material to the company.
	Sector-specific Standards (ESRS)	As part of its mandate, EFRAG was tasked to develop a set of sector-specific draft ESRS.	Cancelation of the empowerment for the Commission to adopt sector-specific standards.	Instead of relying solely on the VSME standard, policymakers should develop tailored, sector-specific sustainability reporting standards. This approach would facilitate more effective materiality assessments, ensuring that large companies have access to vital additional information on severe human rights violations and environmental impacts, while streamlining data flows and reducing the burden of disparate information requests without compromising quality or comparability.
CSDDD	**Companies covered**	- 3 years from the entry into force of the directive for companies with >5000 employees and >€1 500 million turnover - after 4 years, companies with >3000 employees and >€900 million turnover - after 5 years, companies with >1000 employees and >€450 million turnover	Unchanged	The scope of the CSDDD remains overly broad, currently estimated to include around 6000 EU companies and 900 non-EU companies.

	Key topic	Before Omnibus	Omnibus Proposals 26/02	Notes
	Postponement (approved by EU Parliament)	Application by July 2027	Application timelines delayed by one year to July 2028	The timeline for CSDDD needed not be further extended; immediate implementation of preventive measures along the supply chains of EU companies is crucial, especially since some Member States have already introduced rules in this area.
	Due diligence in the value chain	The directive requires companies to ensure that human rights and environmental obligations are respected along their chain of activities.	Due diligence assessments limited to direct business partners including suppliers (Tier 1). However, if there is “plausible information” about potential or actual adverse impacts involving indirect partners (below Tier 1), they should be assessed.	A risk-based approach would be more appropriate than a fixed Tier 1/Tier 2 model, enabling companies to identify and prioritize the most significant risk areas within their supply chains.
	Civil liability	A company can be held liable for damage caused to a natural or legal person	Removes EU-wide civil liability regime but maintains access to justice and compensation for victims.	Proposal modifies civil liability for inadequate due diligence at the European level without altering existing national legislation. As a result, companies and victims will have to navigate 27 different legal regimes, with each Member State potentially having different rules regarding civil liability.
	Due diligence activities timeline	Annual review assessment	Review assessment intervals extended to once every five years with ad hoc assessments for any significant changes to the business relationship.	Companies would no longer be able to monitor and address their risks in real time, meaning they may fail to detect or respond promptly to emerging risks and the impacts of their activities as they occur.

	Key topic	Before Omnibus	Omnibus Proposals 26/02	Notes
	Financial Sector	Financial services were temporarily excluded from the scope of the directive, but a review clause has been added for a possible future inclusion of the financial downstream sector.	The Commission is no longer required to consider tailored sustainability due diligence requirements for financial institutions.	It's important to include the financial sector in the due diligence requirements because investors play a crucial role in influencing their investee companies behaviors.
	Transition plans	Requirements of adopt and put into effect transition plans for climate change mitigation	Removes the requirement to put into effect a climate transition plan to align with the CSRD. Proposes that transition plans now include "outlining implementation actions, planned and taken".	Limiting the Transition Plan to a mere reporting requirement carries the risk that companies may justify the absence of a transition plan on procedural or timing grounds—as permitted by the CSRD—without taking concrete steps toward climate alignment. This shift could undermine the effectiveness of the Transition Plan, which has so far been recognized as a key tool to align corporate strategies with climate goals and protect the financial system from climate-related risks.
EU TAXONOMY	**Threshold**	Applied to all companies in CSRD scope	"Opt-in" regime introduced for companies with >1,000 employees with net turnover <EUR 450m: no longer required to produce Taxonomy reporting, but just voluntary disclosures.	This will result in a very watered down implementation after 3 years of reporting. Would potentially render the EU Green Bond Standards useless because the proceeds need is based on Taxonomy-aligned activities.

	Key topic	Before Omnibus	Omnibus Proposals 26/02	Notes
	Materiality thresholds	No materiality thresholds	Introduce thresholds for all entities in scope to exempt non-material activities: -Companies with eligible activities <10% of any of the KPIs' denominators would not be required to perform an alignment assessment. -Companies with eligible activities turnover <25% of the turnover KPI denominator may omit reporting on the OpEx KPI.	This reduction of scope would miss precious information on the green performance of many companies and significantly distort market perceptions of green investments. In particular, many large energy providers (e.g. oil & gas majors) do not reach a share of green (Taxonomy-eligible) revenues above 10%, and a few do not even reach 10% of green capex. It would mean that these oil and gas majors would no longer have to report on their Taxonomy eligibility and alignment of their revenues, and even of their capex for some of them.

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